

VILLAGES OF HOPE: AFRICA SOCIETY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013



Chartered Accountants
and Business Advisors

People Count

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of: Villages of Hope: Africa Society

We have audited the accompanying financial statements of Villages of Hope: Africa Society, which comprise the statement of financial position as at December 31, 2013 and the statements of operating fund balances, operating fund activity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not for profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Villages of Hope: Africa Society as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not for profit organizations.

Chartered Accountants
Licensed Public Accountants

Guelph, Ontario
March 21, 2014

VILLAGES OF HOPE: AFRICA SOCIETY
 STATEMENT OF OPERATING FUND ACTIVITY
 YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
Revenue		
Donations		
ChildCARE Plus funds	\$ 621,575	\$ 584,660
Donations	1,375,231	926,631
	<hr/> 1,996,806	<hr/> 1,511,291
Investment Revenues	18,363	4,178
	<hr/> 2,015,169	<hr/> 1,515,469
Expenditures		
Transfers to overseas agents (Note 6)	1,637,546	1,332,681
Administration	117,501	81,657
Legal and audit	5,233	5,841
	<hr/> 1,760,280	<hr/> 1,420,179
Excess of revenue over expenditures	<hr/> \$ 254,889	<hr/> \$ 95,290

See notes to the financial statements

VILLAGES OF HOPE: AFRICA SOCIETY
 STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
Operating Activities		
Excess of Revenue over expenditure	\$ 254,889	\$ 95,290
Net changes in non-cash working capital items		
Due from PAOC	72,586	(85,333)
Accrued interest	(4,449)	-
Accounts payable and accrued liabilities	(198)	(196)
	<u>67,939</u>	<u>(85,529)</u>
Cash flows from operating activities	<u>322,828</u>	<u>9,761</u>
Investing activities		
Net change in long term investment	(200,000)	-
Cash flows from investing Activities	<u>(200,000)</u>	<u>-</u>
Cash and short-term deposits beginning of the year	602,241	592,480
Cash and short-term deposits, end of year	<u>\$ 725,069</u>	<u>\$ 602,241</u>

See notes to the financial statements

**VILLAGES OF HOPE: AFRICA SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. NATURE OF BUSINESS

The organization is registered as a charitable organization with the Canada Revenue Agency, and as such is exempt from income taxes under the Income Tax Act (Canada). The organization was formed in 2009 to facilitate the establishment and administration of excellent care for children at risk by partnering with various African based organizations. The organization has developed a set of standards for quality childcare, and holds each village accountable to those standards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not for profit organizations and included the following significant accounting policies:

a) Revenue recognition

The organization records revenue from donations and contributions in the period in which it is received. Receipts designated for specific programs, but not yet expended at year end are recorded as restricted designated funds on the organization's statement of financial position.

b) Fund accounting

The organization's accounts follow the principles of restricted fund accounting under which resources for particular purposes are classified, for accounting and reporting into funds corresponding to those purposes.

c) Financial instruments

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost

Financial assets measured at amortized cost include cash and short term deposits, accrued interest and due from Pentecostal Assemblies of Canada.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long term investments.

**VILLAGES OF HOPE: AFRICA SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial Instruments (continued)

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. If impairment has occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from the sale of the financial asset. The amount of the write-down is recognized in excess of revenue *over* expenditures. The previously recognized impairment loss may be *reversed* to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would *have* been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of *revenue over* expenditures.

Transaction costs

The organization recognizes its transaction costs in excess of revenue *over* expenditures in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

d) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not for profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. FINANCIAL INSTRUMENTS

The organization's financial instruments consist of cash and short term deposits, accrued interest, due from PAOC, long term investments and accounts payable and accrued liabilities. It is management's opinion that the organization is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The extent of the organization's exposure to these risks did not change in 2013 compared to the previous period.

The fair values of these instruments approximate their carrying values.

**VILLAGES OF HOPE: AFRICA SOCIETY
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4. DUE FROM PAOC

The balance due from Pentecostal Assemblies of Canada (PAOC) is unsecured, non-interest bearing and has no set terms of repayment.

5. LONG-TERM INVESTMENT

The investment is to PAOC, a related party that bears interest at 4% and is due June 2023.

6. FUNDS TO OVERSEAS AGENTS

	2013
Burundi	65,703
Kenya	151,147
Malawi	176,026
Tanzania	185,619
Kitwe	329,470
Chongwe	246,234
Mongu	91,678
Zimbabwe	337,679
Where most needed overseas	53,990
	<u>\$ 1,637,546</u>